

UTTARANCHAL ELECTRICITY REGULATORY COMMISSION

TRANSMISSION AND BULK SUPPLY LICENCE

ISSUED TO

**POWER TRANSMISSION CORPORATION OF
UTTARAKHAND LTD.**

ON 20th June 2003

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PART I - TERMS OF THE LICENCE

1. Short Title

- 1.1 This Licence may be called "The Uttaranchal Transmission and Bulk Supply Licence (Licence No. 1 of 2003)".

2. Definitions

- 2.1 Words, terms and expressions to which meanings are assigned by the Uttaranchal (Uttar Pradesh Electricity Reform Act) Adaptation & Modification Order 2001, shall have the same meanings in this Licence.
- 2.2 Words, terms and expressions used in this Licence which are not defined in this Licence or in Uttaranchal (Uttar Pradesh Electricity Reform Act) Adaptation and Modification Order 2001, shall have the meaning assigned to them in the Indian Electricity Act, 1910 (9 of 1910) and the Electricity (Supply) Act, 1948 (54 of 1948) and the rules made thereunder.
- 2.2 *Words, terms and expressions occurring in this licence and not defined in this licence shall bear the same meaning as in the Electricity Act, 2003 (36 of 2003). Words, terms and expressions used in this licence but not defined either in this licence or in the Electricity Act, 2003 (36 of 2003) but defined in the Uttaranchal (Uttar Pradesh Electricity Reforms Act) Adaptation and Modification Order, 2001 shall have the meaning respectively assigned to them in the Uttaranchal (Uttar Pradesh Electricity Reforms Act) Adaptation and Modification Order, 2001.*
- 2.3 **In this Licence, unless the context otherwise requires:**
"Accounting Statement" means for each financial year, accounting statements for the Licensed Business comprising a profit and loss account, a balance sheet and a statement of sources and application of funds, together with notes thereto and such other particulars and details in the manner as the Commission may prescribe from time to time. Such accounting statements, from such time as the Commission may direct, shall be prepared in the manner mentioned above separately for the Transmission Business and the Bulk Supply Business forming part of the Licensed Business and separately for any other business licensed by the Commission under any other License. If the Licensee is permitted under paragraph 5.1.5 of this Licence to engage

in any Other Business, the accounting statements shall show the amounts of any revenue, cost, asset, liability, reserve or provision which has been either:

- i. charged from the Licensed Business to any Other Business or vice versa together with a description of the basis of that charge; or
- ii. Determined by apportionment or allocation between the Licensed Business and other businesses of the Licensee together with a description of the basis of the apportionment or allocation.

"Act" means Uttaranchal (Uttar Pradesh Electricity Reform Act) Adaptation & Modification Order 2001;

"Central Act" means the *Electricity Act, 2003 (36 of 2003)*

"Annual Accounts" means the accounts of the Licensee prepared in accordance with the provisions of the Companies Act, 1956 (1 of 1956) and/or in such other manner as may be directed by the Commission in terms of the provisions of the Act *provisions of the Central Act or the State Act;*

"Area of Supply Transmission" means the geographic area referred to in Schedule 1 of this Licence within which any activity authorised by this Licence is allowed;

"Auditors" means the Licensee's auditors holding office in accordance with the requirements of Sections 224 to 234A or Section 619 as appropriate, of the Companies Act, 1956 (1 of 1956);

"Authorised", in relation to any Person, business or activity, means authorised by licence granted under Section 15 of the Act or exemption granted under Section 16 of the Act or otherwise recognized as authorized under Section 14 of the Act *section 14 of the Central Act or deemed to be granted under the first second third and fifth proviso to section 14 of the Central Act or exemption granted under section 13 of the Central Act and the Regulations of the Commission;*

"Bulk Supplier" means any Person who is authorised to carry out Bulk supply;

"Bulk Supply" means the sale of electricity to any Person for resale excluding the supply to consumer;

"Bulk Supply Business" means the authorised business of Bulk Supply;

"Bulk Supply Licensee" means a person authorized to engage in the Bulk Supply Business;

"Central Electricity Regulatory Commission" means the Commission constituted under Section 3 of the Electricity Regulatory Commissions Act, 1998;

"Central Transmission Utility" means the government company notified by the Central Government under Section 27A of the Indian Electricity Act, 1910, as amended by the Electricity Laws (Amendment) Act, 1998;

"Commission" means the Uttaranchal Electricity Regulatory Commission;

"Consumer" means the end or final user of electricity, irrespective of the voltage at which or the system or line from which electricity is supplied, and shall include such other Persons purchasing electrical energy from the Licensee, whom the Commission may specify by order to be the Consumer of the Licensee;

"Distribution" means the transportation of electricity by means of a Distribution System;

"Distribution and Retail Supply Business" means any Authorized Business of Distribution and Retail Supply Licensee;

"Distribution and Retail Supply Licence" means each of the Licences as may be issued by the Commission under **Section 15 of the Act** *section 14 of the Central Act or deemed to be granted under the first second third and fifth proviso to section 14 of the Central Act* for the conduct of the Distribution and Retail Supply Business;

"Distribution Licensee" means the holder of a Distribution and Retail Supply Licence;

"Distribution System" means any system consisting mainly of cables, service lines and overhead lines, electrical plant and meters having design voltage of 33 KV and under and shall also include any other system of higher or lower voltage as the Commission may specifically recognise. A Distribution System shall not include any part of the Transmission System including such part of 33 KV design

voltage as the Commission may by order specifically include as part of the Transmission System;

"Force Majeure" means events beyond the reasonable control of the Licensee, including earthquakes, cyclones, floods, storms, adverse weather conditions or other similar occurrences;

"Generating Set" means any plant or apparatus for the production of electricity and shall where appropriate, include a generating station comprising of one or more than one generating unit;

"Generator Interconnection Facilities" means electrical lines, transformers, bus-bars, switch-gear, plant or apparatus utilised to enable access to a Transmission System or Distribution System by the Generating Set(s);

"Grid Code" means the Grid Code **"State Grid Code"** means the State Grid Code which the Commission approves pursuant to this Licence, covering all material technical aspects relating to connections to and the operations and use of a Transmission System, or (in so far as relevant to the operation and use of a Transmission System) the operation of electric lines and electrical plant connected to the Transmission System, the Distribution Systems or the system of any Supplier and shall include the Interim Grid Code;

"Holding Company" For the purpose of this Licence, a Company shall be deemed to be a holding company of another if and only if the company holds more than half the nominal value of the equity share capital of the other company or based on the control exercised by first mentioned company over the later the Commission declares it to be treated as the deemed holding company;

"Interim Grid Code" **"Interim State Grid Code"** means the existing practices and procedures presently followed by Uttaranchal Power Corporation Limited as successor of Uttar Pradesh Power Corporation Limited for operating the Transmission System and other things connected thereto as of the date of the Transmission Licence;

"Licence" means this licence under which the Licensee is authorised to conduct the Licensed Business;

"Licensee" means Uttaranchal Power Corporation Limited *Power Transmission Corporation of Uttaranchal Limited*;

"Licensed Business" means the business of transmission and bulk supply of electrical energy in the Area of Supply Area of Transmission as authorised under this Licence;

"Operational Control" means possessing the authority to make operational decisions such as commissioning and utilisation of units, service lines and equipment;

"Other Business" means business of the Licensee other than the Licensed Business;

"Overall Performance Standards" means the standards as may be determined by the Commission pursuant to **Section 31 of the Act** *section 57 of the Central Act*;

"Person" shall include any individual, firm, company or association or body of individuals whether incorporated or not;

"Power Supply Operating Standards" are such levels of operational security and quality of Supply as are proposed by the Licensee to the Commission and approved by the Commission;

"Power Supply Planning and Security Standards" are such standards as (i) will ensure that the Licensee conducts its planning so that **Bulk Supply** will meet levels of reliability and quality, to be proposed by the Licensee and approved by the Commission, by reason of sufficiency of power available for the purposes of Bulk Supply; or (ii) the Commission may otherwise specify;

"Regulations" means the regulations issued by the Commission from time to time under provisions of the Act;

"Retail Supply" means the sale of electricity to Consumers;

"Retail Supplier" means any Person who is authorised to carry out Retail Supply;

"Separate Business" means each of the Transmission Business, **the Bulk Supply Business** and other Business of the Licensee taken separately from one another and from any other business of the Licensee or any Affiliate of the Licensee;

"State Act" *means the Uttaranchal (Uttar Pradesh electricity reforms Act) Adaptation and Modification Order, 2001 to the extent the provisions of the said act are not inconsistent with the Central Act*;

"Standards of Performance" means such standards of performance related to service to Consumers as may be determined by the Commission under the Act;

"State Government" means the government of the State of Uttarakhand;

"Subsidiary" For the purposes of this Licence, a company shall be deemed to be a subsidiary of another if and only if that other holds more than half in nominal value of the equity share capital of the first mentioned company or based on the control exercised by the later Company over the first mentioned company the Commission declares it to be treated as the deemed subsidiary company;

"Supplier" means any Person who holds a licence to supply electricity under Section 15 of the Act or is granted an exemption under Section 16 of the Act *section 14 of the Central Act or deemed to be granted under the first second third and fifth proviso to section 14 of the Central Act or is granted an exemption under section 13 of the Central Act;*

"Transfer" shall include the sale, exchange, gift, lease, licence, loan securitisation, mortgage, charge, pledge or grant of any other encumbrance or otherwise permitting of any encumbrance to subsist or parting with physical possession or any other disposition or dealing.

"Total System" means Generator Interconnection Facilities, the Transmission System and the Distribution System of all the Distribution Licensees, which are located in the **Area of Supply** *Area of Transmission;*

"Transmission" means the transportation of electricity by means of the Transmission System;

"Transmission and Bulk Supply Licensee" means the **Uttarakhand Power Corporation Limited** *Power Transmission Corporation of Uttarakhand Limited;*

"Transmission Business" means the authorised business of a Transmission Licensee in Transmission, whether for its own account or for any other person through any system owned and/or operated by such Licensee.

"Transmission Operating Standards" means the standards related to the Licensee's operation of its Transmission System approved by the Commission pursuant to Paragraph 18;

"Transmission Planning and Security Standards" means the standards related to the adequacy of the Licensee's system planning and security of its Transmission System as approved by the Commission pursuant to Paragraph 18;

"Transmission System" means the system consisting mainly of extra high voltage electric lines having design voltage of 66 kV and higher, owned or controlled by the Licensee, and used for the purposes of the transportation of electricity between the switchyards of two Generating Sets or from the switchyard of a Generating Set to a substation, or between substations, or to or from any external interconnection and includes all bays/equipment up to the interconnection with the Distribution System, and any plant, apparatus and meters owned or used in connection with the transmission of electricity, and shall include any other system which the Commission specifically declare it to be a part of the Transmission System;

"Use of System" means use of the Transmission System for the transportation of electricity by a Person specified in Paragraph 21 or a Bulk Supplier *Supplier* pursuant to a contract entered into under the terms of Paragraph 21;

- 2.4 References in this Licence to Paragraphs, parts, and schedules shall, unless the context otherwise requires, be construed as references to Paragraphs, parts of and schedules to this Licence.

3. Term of the Licence

- 3.1 The Commission, in the exercise of the powers conferred on it by Section 15 of the Act, *Section 15 of the state Act read with first proviso to section 14 of the Central Act* hereby grants to the Uttaranchal Power Corporation Limited *Power Transmission Corporation of Uttaranchal Limited* this Licence for conducting the Licensed Business, during the period specified in Paragraph 3.3 and subject to the conditions set out in parts II, III, IV, V, VI and VII of this Licence;
- 3.2 The terms and conditions as specified in this Licence are subject to modifications or amendments to be made by the Commission in accordance with the provisions of the Act *Central Act* or this Licence;
- 3.3 This Licence shall come into force with effect from the date of issue and unless revoked earlier by the Commission, in accordance with the provisions of Paragraph 14 of this Licence and the provisions of the Act *Central Act*, and shall remain in force for 25 years from that date. The Commission may, at the instance of the Licensee, renew this Licence for such further period or periods and on such terms and conditions, as the Commission may consider appropriate.

PART II - GENERAL CONDITIONS

4. Directions

- 4.1 The Licensee shall comply with the Regulations, orders and directions issued by the Commission from time to time and shall also act in accordance with the terms and conditions of this Licence, except where the Licensee obtains the approval of the Commission for any deviation therefrom.

5. Activities of the Licensee

- 5.1.1 The Licensee **shall not without the prior general or special approval of the Commission:**

- a. **purchase or otherwise acquire electricity for resale** or other disposition to third parties or sell or otherwise transfer electricity to any Person in the state of Uttaranchal, other than pursuant to this Licence and on the terms approved by the Commission or to the extent required to meet its obligations under the Indian Electricity Act, 1910, as amended by Electricity Laws (Amendment) Act, 1998 in relation to the inter-state transmission of electricity; or
- b. **sell or otherwise dispose of electricity to any Person, other than pursuant to this Licence; or**
- c. acquire any beneficial interest in any Generating Company or Generating Set in or selling electricity into the **Area of Supply Area of Transmission**, except in a manner which is incidental to the Licensed Business; or
- d. **acquire any beneficial interest in any Supplier, other than in the successor Distribution companies to which the Distribution and Retail Supply Business of the Licensee may be transferred** *undertake any transaction to acquire by purchase or takeover or otherwise, the utility of any other licensee; or.*
- e. *merge his utility with the utility of any other licensee:*

Provided that nothing contained in the para 5.1.1(d) and para 5.1.1(e) shall apply if the utility of the licensee is situate in a State other than the State in which the utility referred to in para 5.1.1(d) and para 5.1.1(e) is situate.

f. assign his licence or transfer his utility, or any part thereof, by sale, lease, exchange or otherwise.

5.1.2 The Licensee shall not commence any new provision of services to third parties for the transportation of electricity through the Licensee's Transmission System, except with **the general or special approval of the Commission.**

5.1.3 In circumstances requiring immediate remedial action in the interest of continuity of supply to third parties, the Licensee may commence the activity referred to in Paragraph 5.1.2, provided that the Licensee will inform the Commission of such occurrence or circumstances within 5 days thereof.

5.1.4 The Licensee shall purchase the energy required for the bulk supply **in an economical manner and under a transparent power purchase or procurement process and in accordance with the Regulations, guidelines, directions made by the Commission from time to time.**

5.1.5. The Licensee shall not engage in any Other Business without the prior approval of the Commission and if so permitted by the Commission only so long as such *intimation to the Commission and after such intimation only so long as such activity is in accordance with section 41 of the Central Act and the activity is likely to result in the gainful employment of the assets and infrastructure comprising the Transmission System and further subject to the following conditions:*

- a. the Licensed Business and the conduct thereof by the Licensee is not prejudiced and/or adversely affected in any manner;
- b. the Licensee shall prepare and keep, in respect of Other Business activities, separate accounting records as would be required to be kept in respect of such activities, as if they were carried on by a separate company, so that the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, such Other Business activities are separately identifiable from those of the Licensed Business;
- c. the Licensee shall comply with such guidelines, terms and conditions that the Commission may specify in regard to (i) the Licensee engaging in Other Business activities and (ii) payment of fair compensation to the Licensed Business for the assets of the Licensed Business utilised for such Other Business activities; and

- d. the Licensee shall not Transfer the Transmission System or any assets utilised in the Transmission Business for the purposes of any Other Business activities, without the prior approval of the Commission.
 - e. *that Licensee shall not enter into any contract or otherwise engage in the business of trading in electricity.*
- 5.2 The Licensee shall seek approval of the Commission before making any loans to, or issuing any guarantee for any obligation of any Person, except when made or issued for the purpose the Licensed Business. Loans to employees pursuant to their terms of service and advances to suppliers in the ordinary course of business are excluded from the requirement to seek such approval.
- 5.3 The Licensee may engage any of its Subsidiaries or Holding Company or a Subsidiary of such Holding Company to provide any goods or services to the Licensee, in connection with the Licensed Business subject to the following conditions:
- a. that the transaction will be on an arms-length basis and at a value that is fair and reasonable in the circumstances;
 - b. that the transaction will be consistent with any Regulations framed by the Commission relating to the provision of goods and services with respect to the Licensed Business; and
 - c. that the Licensee will give 15 days notice to the Commission prior to commencement of the proposed arrangement and along with the notice provide all relevant details of the arrangement.

In all other cases of engagement of such Subsidiary or Holding Company or a subsidiary of the Holding Company, prior permission of the Commission will be required. Where such prior permission is required, the Licensee will file a suitable application with the Commission disclosing relevant facts. The Commission may, within 30 days of the filing of the application, seek further information in support of the application. The Commission shall generally within 30 days of such further information being submitted by the Licensee, and where no such further information is sought by the Commission as above, generally within 60 days of filing of the application, allow the arrangement subject to such terms and conditions or modifications as is considered appropriate or reject the same, for reasons recorded in writing in the order to be issued by the Commission.

d. *that such subsidiaries or holding company does not engage in any business activities which the Transmission Licensee is prohibited from doing or for which the Transmission Licensee is required to obtain prior approval of the Commission.*

5.4 The Licensee shall not **assign this Licence or any of the functions under this Licence to any other Person without the prior approval of the Commission.** The Licensee may, however, have an arrangement, with the prior approval of the Commission to assign any of the functions that the Licensee is authorised to conduct or carry out under the Act and this Licence to any Subsidiary of the Licensee and for this purpose, hold all or part of its assets in such Subsidiary, subject to the following conditions:

- a. any such Subsidiary shall operate under the overall supervision and control of the Licensee and upon the terms and conditions of this Licence and of any Regulations, guidelines or orders of the Commission;
- b. the Licensee's duties and obligations in terms of this Licence, the Act and Regulations, guidelines or orders of the Commission shall continue as before, notwithstanding the arrangement;
- c. the provision of services by such subsidiary company shall be efficient and economical; and
- d. during the period of the arrangement, except with the written approval of the Commission, the status of such subsidiary company vis-a-vis the Licensee shall not be changed.
- e. *that such subsidiaries or holding company does not engage in any business activities which the Transmission Licensee is prohibited from doing or for which the Transmission Licensee is required to obtain prior approval of the Commission.*

To obtain the approval of the Commission as aforesaid, the Licensee will file a suitable application with the Commission disclosing relevant facts in that behalf and the Commission shall dispose such application expeditiously.

6. Prohibition of Acquisition of Controlling Interest

6.1 Upon acquiring information that any person has acquired or intends to acquire controlling interest in it, the Licensee shall inform the

Commission forthwith of the acquisition or proposed acquisition and shall furnish the Commission with all relevant details in its possession.

7. Prohibition of Subsidies

- 7.1 The Licensee shall not, **without prior permission of the Commission, give any subsidy or subvention to, or receive any subsidy or subvention** from, any Person or any Other Business of the Licensee (whether or not authorised by the Commission), except a subsidy granted by the State Government pursuant to Section 12 (2) of the Act or a subvention pursuant to Section 25 of the Act or in the implementation of any order on tariff passed by the Commission or tariff subsidy ordered by the State Government.

8. Separate Accounts for separate Businesses

- 8.1 The financial year of the Licensee shall run from the first of April to the following thirty-first of March or such period that the Commission may otherwise decide to approve.
- 8.2 The Licensee shall in respect of each Separate Business
- a. keep such accounting records as would be required to be kept in respect of each such Separate Business as if it were carried on by a separate company, so that the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, each Separate Business are separately identifiable in the books of the Licensee from those of any other business in which the Licensee is engaged, whether or not authorised by the Commission; and
 - b. prepare on a consistent basis from such accounting records:
 - (i) for each financial year, accounting statements comprising a profit and loss account, a balance sheet and a statement of source and application of funds, together with notes thereto, and showing separately in respect of each Separate Business the amounts of any revenue, cost, asset, liability, reserve or provision, which has been either:
 - charged from or to any other business (whether or not a Separate Business) together with a description of the basis of that charge; or
 - determined by apportionment or allocation between any Separate Business and any other business of the

Licensee or its Affiliate (whether or not a Separate Business) together with a description of the basis of the apportionment or allocation cash flow statement and balance sheet; and

(ii) in respect of the first six months of the first financial year and of each subsequent financial year, an interim profit and loss account; and

c. provide, in respect of the accounting statements prepared in accordance with this Paragraph 8, an Auditor's report in respect of each financial year, stating whether in their opinion these statements have been properly prepared in accordance with this Paragraph 8 and give a true and fair view of the revenues, costs, assets, liabilities, reserves and provisions of or reasonably attributable to, the Separate Business to which the statements relate; and

d. **deliver to the Commission a copy of each interim profit and loss account not later than three months after the end of the period to which it relates, and copies of the accounting statements and Auditor's report not later than six months after the end of the financial year to which they relate.**

8.3 Unless permitted to do so by the Commission, the Licensee shall not change the basis of charge or apportionment or allocation referred to in Paragraph 8.2(b)(i) in relation to the accounting standards in respect of a financial year from those applied in respect of the previous financial year.

8.4 Where, in relation to the Accounting Statements in respect of a financial year, the Licensee has changed the basis of charge or apportionment or allocation from those adopted for the immediately preceding financial year, the Licensee shall, if required by the Commission (in addition to preparing Accounting Statements on those basis which it has adopted) prepare such Accounting Statements on the basis which applied in respect of the immediately preceding financial year.

8.5 Accounting Statements for each Separate Business prepared under Paragraph 8.2(b)(i) shall, unless otherwise approved or directed by the Commission:

a. be in the form prescribed by the Indian Companies Act, 1956 (1 of 1956) and the Indian Electricity Rules, 1956;

b. be prepared in accordance with generally accepted accounting practices;

- c. state the accounting policies adopted; ; and
 - d. be published with the annual accounts of the Licensee, in the manner prescribed in the Regulations.
- 8.6. References in this Paragraph 8 to costs or liabilities of, or reasonably attributable to, Separate Business shall be construed as excluding taxation, and capital liabilities which do not relate principally to that Separate Business and interest thereon.
- 8.7 The Licensee shall ensure that the Accounting Statements in respect of each financial year prepared under Paragraph 8.2 and the Auditor's report in respect of each financial year referred to in Paragraph 8.2 are publicised in such manner as the Commission may direct and are made available to any Person requesting them at a price not exceeding the reasonable cost of duplicating them.

9. Prohibition of Undue Preference

9.1 Undue Preference

Subject to Paragraph 24.4 _in fixing tariffs and the terms and conditions of Supply, the Licensee shall not show undue preference to any person; provided that the Licensee shall not be deemed to be in breach of its obligations under this Licence if any undue preference results from compliance with any directions of the Government under Section 22-A and 22-B of the Indian Electricity Act 1910 and Section 12 (2) of the Act or in implementation of any order passed by the Commission *Commission under provisions of the Central Act.*

10. Provision of Information to the Commission

- 10.1 The Licensee shall furnish to the Commission such information, documents and details as the Commission may require for its own purposes or for the purposes of the Government of India, the Government of Uttaranchal , the Central Electricity Regulatory Commission , the Central Electricity Authority, or any other authority.

10.1A The Licensee shall duly maintain the information as the Commission may direct under Section 128 of the Central Act.

- 10.2 The Licensee **shall notify the Commission as soon as possible of any Major Incident** affecting any part of the Transmission

System which has occurred and within two months of the date of such Major Incident:

- a. submit a report giving full details of the facts of the incident and its cause. The Commission at its own discretion may require the submission of the report to be prepared by an independent person at the expense of the Licensee; and
- b. in the event the report under sub-paragraph (a) is likely to take more than 15 days from the date of the Major Incident, the Licensee shall within 15 days from such date of the incident submit a preliminary report with such details which the Licensee can reasonably furnish and state reasons as to why the Licensee requires more than 15 days for giving full report of such incident;
- c. give copies of the report to the Commission and to all parties involved in the major incident as the Commission may direct.

10.2.A The Commission at its discretion may require the submission of a report on the major incident to be prepared by an independent person at the expense of the Licensee.

10.3 The decision of the Commission as to what is a Major Incident shall be final.

10.4 The Commission may at any time require the Licensee to comply with the provision of Paragraph 10.2 as to incidents which the Commission may specifically direct and the Licensee shall be obliged to comply with the same notwithstanding that such incidents are not Major Incidents; provided that the time limits specified in Paragraph 10.2 shall commence from the date that the Commission notifies Licensee of such requirement.

10.5 In this Paragraph 10

- a. "major incident" means an incident associated with the generation, transmission, distribution, supply or use of electrical energy in the licensee's **area of supply** *Area of Transmission* which results in a significant interruption of service, substantial damage to equipment, or loss of life or significant injury to a human being or animal, with the technical characteristics of "significant interruption", "substantial damage", "significant injury" specified in the **Grid Code** *State Grid Code*, *Distribution Code* or *Standards of Performance* to be approved by the Commission or as otherwise specified by the Commission.

11. Investments

- 11.1 **The Licensee shall not make any investment under any scheme or schemes except in an economical and efficient manner and in terms of this Licence and in accordance with the Regulations, guidelines, directions and orders the Commission may issue from time to time.**
- 11.2 The Licensee shall promptly notify the Commission, schemes pertaining to the Transmission System which the Licensee from time to time proposes to implement together with relevant details, including the estimated cost of such schemes, with requisite break-up and proposed investment plans. The Licensee shall furnish to the Commission such further details and clarifications as to the schemes proposed, as the Commission may require from time to time. The schemes proposed may be implemented by Licensee, subject to the following conditions:
- a) If the scheme **does not involve major investment** as defined hereunder, **without the need for any specific approval from the Commission** but subject however to any reasonable direction or condition which the Commission may give or impose during the implementation of the scheme;
 - b) If the **scheme involves major investment, after taking specific prior approval of the Commission** as provided in Paragraph 11.3.
- 11.3 The Licensee shall make an application to the Commission for obtaining prior approval of the Commission for schemes involving major investments as per the procedure which the Commission may specify from time to time and demonstrate to the satisfaction of the Commission that:
- a) there is a need for the major investments in the **Distribution Transmission** System, which the Licensee proposes to undertake;
 - b) the Licensee has examined the economic, technical, system and environmental aspects of all viable alternatives to the proposal for investing in or acquiring new **Distribution Transmission** system assets to meet such need; and
- 11.4 The Licensee's contracts for major investments shall be awarded only pursuant to a transparent and competitive procurement process acceptable to the Commission. The Licensee shall follow the Practice Guidelines regarding major investments issued by the Commission from time to time. The Licensee shall invite and finalize tenders for procurement of equipment, materials and/or services relating such investment, consistent with the above.

- 11.5 For the purpose of Paragraph 11, the term "Major Investment" means any planned investment in or acquisition of **Distribution Transmission** facilities, the cost of which, when aggregated with all other investments or acquisitions (if any) forming part of the same overall transaction, equals or exceeds Rs. **250 Lakhs** **1000** Lakhs.
- 11.6. The Licensee **shall submit to the Commission** along with the "Expected Revenue Calculation" filed in terms of Paragraph 23, **the annual investment plan** for the ensuing financial year and shall make investment in the said financial year in accordance with the said investment plan. Provided, however, if any unforeseen contingencies required reallocation of funds within the schemes listed in the annual investment plan, the Licensee may do so provided further that such reallocation in respect of individual projects does not exceed Rs. **250 Lakhs** **1000** Lakhs, after intimating the Commission. If on account of unforeseen circumstances the Licensee is required to make investment in a scheme which does not find a place in the annual investment plan, the Licensee may do so upto the limit of Rs. **250 Lakhs** **1000** Lakhs after intimating the Commission.

12. Transfer of Assets

- 12.1 The Licensee shall not, transfer or relinquish operational control over any land and building of whatever value otherwise than in accordance with this Paragraph.
- 12.2 The Licensee shall not transfer or relinquish operational control over any assets, other than land and building, otherwise than in accordance with following paragraphs of this Paragraph 12, if the cost of the assets being transferred or whose operational control is being relinquished in a single transaction or a series of related transactions, exceeds Rs. 30 Lakhs.
- 12.3 The Licensee shall **give to the Commission not less than 2 months prior written notice of its intention to transfer or relinquish Operational Control over any asset**. Notice shall not be deemed to have been given until such time as the Licensee has provided to the Commission all such further information as the Commission may require.
- 12.4 The Licensee may transfer or relinquish Operational Control over any asset as is specified in any notice given under Paragraph 12.3 if:
- a. the Commission confirms in writing that it consents to such Transfer or relinquishment of Operational Control subject to such conditions as the Commission may impose; or

- b. the Commission does not, inform the Licensee in writing, of any objection to such transfer or relinquishment of control within the notice period referred to in Paragraph 12.3.

12.5 The Licensee may transfer or relinquish Operational Control over any asset where:

- a. the Commission has issued directions for the purposes of this Paragraph 12 containing a general consent (whether or not subject to conditions) to:
 - i. transactions of a specified description; and/or
 - ii. the transfer or relinquishment of Operational Control over assets of a specified description; and/or
 - iii. the transaction or the assets are of description to which such directions apply and the transfer or relinquishment is in accordance with any conditions to which the consent is subject; or
- b. the transfer or relinquishment of Operational Control in question is required by or under the mandate of any other Act; or
- c. the asset in question was acquired and used by the Licensee exclusively or primarily in connection with any Other Business that it has been authorised to carry on pursuant to Paragraph 5.1.5 and does not constitute a legal or beneficial interest in land, or otherwise form part of the Transmission System or is not otherwise an asset required for the Licensed Business.

12.6 Notwithstanding what is stated above, the Licensee will be entitled to utilise the assets as a means of facilitating funding or financing the Licensed Business in the ordinary course of business, subject to the conditions:

- a. that the Licensee **will inform the Commission about such arrangements at least 15 days prior to the effective date** of the relevant agreements;
- b. the Licensee acts in a prudent and reasonable manner in such utilisation of assets; and
- c. the Licensee retains the Operational Control over assets in the Transmission System.

13. Payment of Licence Fees

- 13.1 Within 60 days or such further period as the Commission may allow after the coming into force of this Licence, the Licensee shall pay to the Commission an initial fee calculated at the rate of Rs. 500 for every one lac units and part thereof of the electrical energy procured or transmitted or supplied or handled in any other manner by the Licensee in the immediately preceding financial year.
- 13.2 For as long as this Licence remains in force, the Licensee shall, by the 10th of April of every year, or such further period as the Commission may allow, pay to the Commission an annual licence fee calculated in accordance with Paragraph 13.1 above. The Commission shall be entitled to review and revise the annual licence fee after every three years for the next block of three years and the Licensee shall be liable to pay such revised annual licence fee.
- 13.3 Where the Licensee fails to pay to the Commission any of the fees due under Paragraphs 13.1 or 13.2 by the due dates:
- a. without prejudice to other obligations, the Licensee shall be liable to pay interest on the outstanding amount at a simple interest rate of two percent per month, the interest being payable for the period beginning on the day after which the amount became due, and ending on the day on which the payment is made in cleared funds;
and
 - b. the Licensee shall be subject to the proceedings for the recovery of such fees as specified in the Act; and
 - c. the Commission may revoke this Licence pursuant to **Section 18 of the Act** *Section 19 of the Central Act* and Paragraph 14 of this Licence.
- 13.4 The Licensee shall be entitled to take into account any fee paid by it under this Paragraph 13 as an expense in the determination of aggregate revenues made in accordance with Paragraph 24_, but shall not take into account any interest paid pursuant to Paragraph 13.3.

14. Terms as to Revocation

- 14.1. Subject to the provisions of **section 18 of the Act** *Section 19 of the Central Act* and the Regulations, the Commission may at any time initiate proceedings against the Licensee for revocation of this

Licence and if satisfied in such proceedings on the grounds for revocation, revoke this Licence if the Licensee.

- a. has, in the opinion of the Commission, committed a wilful or unreasonable default in doing anything required of it by or under the Act, the Indian Electricity Act, 1910 or the Electricity (Supply) Act, 1948 *Central Act, the State Act* or rules made thereunder to the extent applicable in the State, read with the provisions of the Act; or
- b. has, in the opinion of the Commission, committed a material breach of the terms and conditions contained in Paragraphs 4 to 13, 17 to 21 and 24 of this Licence or of any Regulations, codes and standards that the Commission may specify from time to time and has failed to rectify such breach within the time allowed by the Commission; or
- c. has, in the opinion of the Commission, failed to comply with any order or direction issued by the Commission; or
- d. fails to pay the licence fee or any other fee or fine or charges within the time allowed by the Commission; or
- e. fails to show to the satisfaction of the Commission within 60 days of being directed by the Commission that the Licensee is in a position to fully and effectively discharge the duties and obligations imposed on it by this Licence or to make the deposit or furnish the security as may be required by the Commission from the Licensee; or
- f. has committed an act which renders this Licence revocable on any other grounds specified in the Act or the Regulations.

14.2 It is a condition of this Licence that the Licensee shall comply with all the Regulations, codes and standards and also orders and directions of the Commission. When the Commission expressly states that an order subjects the Licensee to such compliance, failure to comply with that order will render this Licence liable to revocation in accordance with *Section 18 of the Act* *Section 19 of the Central Act* (without prejudice to the Commission's right to revoke this Licence on any other applicable grounds).

14.A Amendment of the Licence Conditions

14.A.1 *These terms and conditions of Licence may be altered or amended by the Commission under Section 18 of the Central Act.*

15. Indian Electricity Act, 1910 (9 of 1910) and Indian Electricity (Supply) Act, 1948 (54 of 1948) Central Act and State Act Application

15.1 None of the provisions of the Schedule to the Indian Electricity Act, 1910 shall be deemed to be incorporated into this Licence except for the specific provisions made under this Licence.

15.2 In carrying out its function and obligations under this Licence, the Licensee shall comply with the requirements of the Indian Electricity Act, 1910 (9 of 1910) and Electricity (Supply) Act, 1948 (54 of 1948) Central Act and the State Act and rules made thereunder, to the extent they are not in contravention with the provisions of the Act that provisions under the State Act are not in contravention with the provisions of the Central Act.

15.3 The Commission may publish an order authorising the Licensee to exercise any power or authority which the Commission may confer on the Licensee under the Indian Electricity Act, 1910 (9 of 1910) and the Electricity (Supply) Act 1948 (54 of 1948) Central Act and the State Act. As per the provisions of the Act, the Commission may, by order, authorise the Licensee to exercise the functions and obligations of the erstwhile State Electricity Board, under the provisions of the Indian Electricity Act 1910 (9 of 1910) and the Electricity (Supply) Act, 1948 (54 of 1948).

15.4 Pursuant to Section 11 (8) of the Act section 164 of the Central Act, , the Licensee shall have all the power for the placing of electric lines, appliances and apparatus for the Licensed Business that a telegraph authority posses under the Indian Telegraph Act, 1885 (13 of 1885).

15.5 The Licensee shall comply with the directions of the Electrical Inspector Chief Electrical Inspector or Electrical Inspector issued pursuant to the powers vested in him under the Indian Electricity Act, 1910 or the Electricity (Supply) Act, 1948 the Central Act or any rules framed thereunder, provided that any order passed by the Electrical Inspector shall be subject to appeal as provided in Section 35 of the Act subsection (2) of section 162 of the Central Act.

16. Dispute Resolution and Decision on Interpretation of Licence

16.1 The Commission shall be entitled to act as arbitrator or nominate arbitrator(s) to adjudicate or to adjudicate and settle disputes between the Licensee and any other licensee in pursuance of Section

34 of the Act *clause (f) of subsection (1) of section 86 of the Central Act.*

- 16.2 All issues arising in relation to **interpretation of this Licence** and as to the terms and conditions thereof **shall be a matter for the determination of the Commission** and the decision of the Commission on such issues shall be final, subject only to the right of appeal under **Section 36 of the Act** *under section 111 of the Central Act.* The Licensee shall refer all disputes arising under the Licence for determination by the Commission, as provided under Clause (c) of subsection (4) of Section 15 of the **Act** *State Act.*

PART III: TECHNICAL CONDITIONS

17. Power Procurement Procedure

- 17.1 The Licensee **shall not purchase electrical capacity and/or energy without an authorisation granted by the Commission** under the terms of this Paragraph 17.
- 17.2 The Licensee shall purchase electrical capacity and/or energy in an economical and efficient manner and under a transparent power purchase or procurement process and in accordance with the Regulations, directions, guidelines and orders made for the purpose by the Commission from time to time.
- 17.3 In case of purchases of allocated share of electrical capacity and/or energy from Central Sector generation and inter-utility exchanges of electrical capacity and/or energy from other Regional Electricity Boards, such processes as are stipulated by the Central Electricity Regulatory Commission shall also be complied with, in addition to the directions and orders of the Commission.
- 17.4 An authorisation required under Paragraph 17.1 shall be granted when the Licensee has demonstrated to the Commission's satisfaction that
- a. the additional electrical capacity and/or energy is necessary to meet the Licensee's service obligation in accordance with Paragraph 18; and

b. The Licensee has examined the economic technical system and environment aspects of commercially viable alternatives to the proposals for purchasing additional electrical capacity and/or energy and such examination has been carried out in a manner approved by the Commission.

17.5 The restriction imposed in Paragraph 17.1 shall not be applicable for short term purchases (less than six months in duration) **provided that such short term purchases are made in accordance with guidelines, if any, issued by the Commission and the details of such purchases shall be submitted to the Commission in the manner the Commission directs.**

18. **Transmission Planning and Security Standards, Power Supply Planning and Security Standards; Transmission Operating Standards; and Power Supply Operating Standards**

18.1 The Licensee shall plan and operate the Transmission System, so as to ensure that the Transmission System is capable of providing an efficient coordinated and economical system of Transmission, in particular, the Licensee shall:

- a. plan and develop its Transmission System in accordance with the Transmission System Planning and Security Standards together with the Grid Code as approved by the Commission; and
- b. operate its Transmission System in accordance with the Transmission System Operating Standards together with the Grid Code as approved by the Commission.

18.2 The Licensee shall make arrangements, **within twelve months** from the date of issue of this Licence, **to comply with the Power Supply Planning and Security Standards and Power Supply Operating Standards.**

18.3 The Licensee shall, **within 60 days** from the date this Licence becomes effective, **submit to the Commission the existing.**

- Planning and Security Standards }
- Operating Standards } for its Transmission System and
- Planning and Security Standards }
- Operating Standards } for its Power Supply System including those relating to:

- Generation Capacity connected to its Transmission System being followed by the Licensee.

Such existing standards, with such modification as the Commission may direct, shall continue to remain in effect until the new standards approved by the Commission pursuant to Paragraph 18.4 take effect.

18.4 The Licensee shall:

- a. **within six months**, or such longer time as the Commission may allow, after this Licence has become effective, prepare, in consultation with the Suppliers, Generating Companies, Central Transmission Utility, Regional Electricity Boards and such other Person as the Commission may specify, and **submit to the Commission for approval the Licensee's proposal for Transmission Planning and Security Standards, Transmission Operating Standards, Power Supply Planning and Security Standards, and Power Supply Operating Standards in accordance with this Paragraph 18;**
- b. The Transmission Planning and Security Standards, Transmission Operating Standards, Power Supply Planning and Security Standards and the Power Supply Operating Standards submitted by the Licensee pursuant to this Paragraph, with such modifications as the Commission may require, shall take effect from such dates as the Commission shall specify.

18.5 The Licensee shall not be in breach of its obligations under this Licence if it has failed to meet the Transmission Planning and Security Standards or the Transmission Operating Standards directly due to Force Majeure, provided that, the Licensee has used its reasonable efforts, to the extent reasonably possible, to comply with the Transmission Planning and Security Standards or the Transmission Operating Standards, as the case may be.

18.6 The Licensee shall make reasonable arrangements to provide for **sale conveyance of electricity** to Suppliers, sufficient electricity to meet Power Supply Planning and Security Standards and Power Supply Operating Standards approved by the Commission.

Provided that the Licensee shall not be considered in breach of the requirements of this Paragraph 18.6 in circumstances where, for reasons accepted by the Commission, the Licensee has been unable to provide sufficient **Bulk Supply facility for supply**.

- 18.7 Notwithstanding Paragraph 18.6 in all circumstances where the Licensee has not provided sufficient **Bulk Supply** *capacity* to meet actual demand, the Licensee shall nevertheless use reasonable endeavours to meet all demands as far as possible.
- 18.8 The Licensee shall, in consultation with Suppliers, the Generating Companies, Distribution Licensees in the State, **the Central Transmission Utility, the Regional Electricity Board** *the Central Transmission Utility, the State Transmission Utility, the Regional Electricity Board* and such other Persons as the Commission may order, review the standards and their implementation on each occasion that it carries out a review of the **Grid Code** *State Grid Code* in accordance with Paragraph 19.6. Following any such review, the Licensee shall, send to the Commission:
- (a) a report on the outcome of such review; and
 - (b) any revision which the Licensee proposes to make to such documents from time to time (having regard to the outcome of such review); and
 - (c) any written representations or objections (including those not accepted by the Licensee) from Suppliers, the Generating Companies, **the Central Transmission Utility, the Regional Electricity Board** *the Central Transmission Utility, the State Transmission Utility, the Regional Electricity Board* and such other Persons as the Commission may order arising during the consultation process;
- Provided that the Commission may, upon application of the Licensee, relieve the Licensee from the obligation to review the standards and their implementation, to such extent as shall be specified in directions issued to the Licensee by the Commission for the purposes of this condition.
- 18.9 Having regard to any written representations or objections referred to in Paragraph 18.8(c), and following such further consultation (if any) as the Commission may consider appropriate, the Commission may issue directions requiring the Licensee to revise the standards in such manner as may be specified in the directions.
- 18.10 The Commission may issue directions requiring the Licensee to revise any of the standards in such manner as may be specified by the Commission.
- 18.11 Till the Interim Grid Code is in position, the Licensee shall submit reports in the formats prescribed by the Commission.

18.12 The Licensee shall, **on an annual basis**:

- a. **forecast the demand for power within the Area of Transmission and Bulk Supply** *Aggregate, the forecast of the demand for power by the Distribution Licensee(s), within the Area of Transmission* **in each of the next succeeding 10 years; and**
- b. **prepare and submit forecasts to the Commission in accordance with the guidelines issued by the Commission from time to time.**

18.13 The Licensee shall **within 3 months of the end of each financial year, submit to the Commission a report indicating the performance of the Transmission System during the previous financial year.** The Licensee shall, if required by the Commission, publish a summary of the report in a manner to be determined by the Commission.

18.14 The Licensee shall, upon request by the Commission, provide to the Commission such information as the Commission may require under this paragraph or for the purpose of monitoring compliance with this Paragraph 18.

19. **Grid Code** *State Grid Code*

19.1 Except as provided in Paragraph 19.4, the Licensee shall ensure that, **within six months from the issue of the Licence, there is in force at all times a Grid Code** *State Grid Code*, which meets the requirements of this Paragraph 19. Subject to Paragraph 19.11, the Licensee shall implement and comply with the Grid Code.

19.2 The **Grid Code** *State Grid Code* shall include:

- a. all material technical aspects relating to, connections to, and the operation and use of the Transmission System including the operation of electric lines and electrical plant and apparatus connected to the Transmission System in so far as relevant to the operation and use of the Transmission System including, but not limited to, connection conditions specifying the technical, design and operational criteria to be complied with by the Licensee and by any Person connected or seeking connection with the Transmission System or by any Generating Company who is connected with or seeks connection with the Transmission System or the Distribution System of any Supplier.
- b. an operating code specifying the conditions under which the Licensee shall operate the Transmission System and under

which Generating Companies shall operate their plant and the Suppliers shall operate their Distribution Systems in relation to the Transmission System, in so far as necessary to protect the security and quality of supply and safe operation of the Transmission System under both normal and abnormal operating conditions;

- c. a planning code specifying the technical and design criteria and procedures to be applied by the Licensee in the planning and development of the Transmission System;
- d. a scheduling and despatch code specifying the system for the scheduling and despatch of Generating Sets;
- e. procedures relating to the co-ordination of outages for scheduled maintenance of Generating Sets and transmission and distribution circuits;
- f. a metering code setting out requirements and procedures for metering; and
- g. a protection code setting out the requirements and co-ordination of protection systems.

19.3 The **Grid Code** *State Grid Code* shall:

- a. be designed so as to permit the development, maintenance and operation of an efficient, coordinated and economical system for Transmission and Bulk Supply in the State of Uttaranchal; and
- b. allow the Licensee to comply with its obligations in relation to the inter-State transmission of power.

19.4 Where no **Grid Code** *State Grid Code* in the form provided for in this Paragraph 19 is in force at the effective date of this Licence, the Licensee shall not be considered in breach of this Paragraph 19 provided that:

- a. the Licensee **shall file with the Commission a compilation of the Interim Grid Code within 60 days** of the grant of this Licence;
- b. the Licensee **shall implement and comply with the Interim Grid Code** from the date of its submission to the Commission, subject to such modifications as the Commission may direct; and
- c. **within six months** of the commencement of this Licence, the Licensee **shall submit the comprehensive **Grid Code** *State Grid Code* described in Paragraphs 19.2 and 19.3, for**

the approval of the Commission, which must be formulated by the Licensee after consultation with Suppliers, Generating Companies, Distribution Licensees, Central Transmission Utility, Regional Electricity Board and such other Persons as the Commission may direct.

- 19.5 The Interim **Grid Code** *State Grid Code* shall continue to remain in effect until such time as the Commission has approved the final Grid Code.
- 19.6 The Licensee shall, in consultation with Distribution Licensees, Generating Companies, **the Central Transmission Utility, the Regional Electricity Board** *the Central Transmission Utility, the State Transmission Utility, the Regional Electricity Board* and such other Persons as the Commission may specify, review the Grid Code and its implementation from time to time. The Licensee shall also undertake such review as and when directed to do by the Commission. All the representations received during the interim period shall be considered by the Licensee.
- a. a report on the outcome of such review; and
 - b. any proposed revisions to the **Grid Code** *State Grid Code* from time to time as the Licensee reasonably thinks fit for the achievement of the objectives referred to in Paragraph 19.2; and
 - c. all written representations or objections from Suppliers arising during the consultation process.
- 19.7. **All revisions to the **Grid Code** *State Grid Code* shall require the prior written approval of the Commission.**
- 19.8 The Commission may issue directions requiring the Licensee to revise, supplement or replace the **Grid Code** *State Grid Code* in such manner as may be specified in the directions and the Licensee shall comply with any such directions.
- 19.9 The Licensee shall make available a copy of the **Grid Code** *State Grid Code* in force to any Person requesting it at a price not exceeding the reasonable cost of duplicating it.
- 19.10 In preparing, implementing and complying with the **Grid Code** *State Grid Code* (including in respect of the scheduling of maintenance of the Transmission System), the Licensee shall not unduly discriminate against or unduly prefer:

- a any one or any group of Persons; or
- b itself in the conduct of any business other than the Transmission Business

19.11 The Commission may issue directions relieving the Licensee or (following consultation with the Licensee) third parties of their obligations to implement or comply with the **Grid Code** *State Grid Code* to the extent as may be specified in the directions.

20. **Central Scheduling and Despatch**

20.1 Having regard to information provided to it by Suppliers, Generating Companies, the Central Transmission Utility, the Distribution Licensees and other utilities in the region (including information as to forecast levels of electricity demand and availability of generation capacity) and to the requirements of the Transmission Planning and Security Standards and the Transmission Operating Standards referred to in this Licence, the Licensee shall undertake operational planning for the matching to the extent possible of output of all Generating Sets contracted to it and any other Bulk Supplier and other sources of power or electrical energy connected to the Licensee's Transmission System (including a reserve of generation to provide a security margin of generation availability) with forecast demand after taking into account, inter alia

- a. any unavailability of Generating Sets; and
- b. constraints from time to time imposed by technical limitations on the Total System or interconnections with other transmission systems or any parts) thereof;
- c. consistent with this Paragraph 20.1 and in accordance with the Grid Code, for the removal from service of parts of the Transmission System for maintenance, repair, extension or reinforcement.

20.2 Taking account of the factors referred to in this Paragraph 20.2, the Licensee **shall schedule and issue direct instructions for the despatch to Generating Sets and other sources of power** as are at such times available to generate electricity and which are subject to despatch instructions:

- a. **in ascending order of relevant prices** that are offered for the generation of electricity into the Total System, keeping in view the constraints on hydroelectric generation; and

- b. as well in aggregate (and after taking account of electricity delivered to or from the Total System from or to other sources) be sufficient to match at all times (to the extent possible having regard to the availability of Generating Sets) expected demand, taking account of information provided by Suppliers, the Central Transmission Utility and the Regional Electricity Board together with an appropriate margin of reserve.

20.3 The factors referred to in Paragraph 20.2 include:

- a. expected demand (including losses);
- b. economic and technical constraints from time to time imposed on the Total System or any part or parts thereof;
- c. the dynamic operating characteristics of available Generating Sets; and
- d. other matters provided for in the Grid Code.

20.5 The Licensee shall provide to the Commission such information as the Commission shall require concerning the merit order despatch described in Paragraph 20.2(a) or any aspect of its operation.

20.6 In this Paragraph 20:

"available" means the state of a Generating Set such that it can respond successfully to a call to service by the entity with authority to despatch the system; and

"availability" shall be construed accordingly;

"central despatch" means the process of scheduling and issuing direct instructions by the Licensee as referred to in Paragraph 20.

PART IV: CONNECTION AND USE OF SYSTEM CONDITIONS

21. Requirement to Offer Terms for Use of System and Connection to system

21.1 The Licensee shall make such arrangements for the use of the Transmission System by third parties as are specified in this Paragraph 21. On application made by any such third party, the Licensee shall

offer to enter into an agreement with that Person for the use of the Transmission System:

- a. to accept into the Transmission System electricity provided by that person;
- b. to deliver such electricity, adjusted for losses of electricity, to a designated exit point;
- c. that species tariff and Use of System charges to be paid by the user, which shall be in accordance with Paragraph 24.

Explanation: The third parties referred to in this Paragraph 21.1 are:

- i. Persons authorised under a legislation enacted by the Union of India to wheel power across the Transmission System in an inter state conveyance of energy;
- ii. such Persons as the Commission may authorise to use the Transmission System.

21.2 On application made by a Supplier for grant of a connection to a Consumer wishing to be connected directly to the Transmission System, the Licensee shall offer to enter into an agreement with such Supplier and/ or Consumer, as the case may be, for connection to the Transmission System or for modification of such an existing connection and such offer shall make provision for:

- a. the carrying out of works necessary to make the required connection, including the installation of meters;
- b. the carrying out of any necessary works to reinforce the Licensee's Transmission System;
- c. the connection charges to be paid in accordance with Paragraph 24; and
- d. the completion date and such other terms as are relevant to the circumstances.

21.3 The Licensee shall offer terms for agreements in accordance with Paragraphs 21.1 or 21.2 as soon as practicable and (save where the Commission consents to a longer period) no more than two months after an application under Paragraphs 21.1 or 21.2 is made.

21.4 The Licensee shall not be obliged pursuant to this Paragraph 21 to offer to enter or to enter into any agreement if:

- a. to do so is likely to involve the Licensee:
 - i. in breach of its duties under **Section 17 of the Act section 40 of the Central Act or section 17 of the State Act**; or
 - ii. in breach of any Rules or Regulations relating to safety or standards applicable to the Transmission Business including, the Indian Electricity Rules 1956; or
 - iii. in breach of the **Grid Code State Grid Code**; or
 - iv. in breach of any of the conditions of this Licence; or
- b. the Person making the application does not undertake to comply with the **Grid Code State Grid Code** from time to time in force to the extent that it is applicable to that Person; or
- c. in the case of Persons making application for Use of System under Paragraph 21.1, such Person ceases to be authorised as specified therein; or
- d. in the case that the Persons does not have the financial resources to pay the transmission charges.

21.5 If, after a period which appears to the Commission to be reasonable for the purpose, the Licensee has failed to enter into an agreement with any applicant referred to in Paragraphs 21.1 and 21.2 pursuant to a request under this Paragraph 21, the Commission may at the request of any party settle such terms in dispute between the Licensee and that Person and, the Licensee shall forthwith enter into and implement such agreement in accordance with the terms as settled by the Commission.

21.6 The Licensee shall prepare and **submit to the Commission on an annual basis, a statement showing in respect of each of the 5 succeeding financial years forecasts of circuit capacity, power flows and loading on the Transmission System** under standard planning criteria, together with:

- a. such further information as shall be reasonably necessary to enable any Person seeking Use of System to identify and evaluate the opportunities available when connecting to and making use of such system; and
- b. a commentary prepared by the Licensee indicating the Licensee's views as to those parts of the Licensee's

Transmission System most suited to new connections and transport of further quantities of electricity.

- 21.7 At the request of a Person or a Supplier who, wishes to use the Transmission System under Paragraphs 21.1 or 21.2, the Licensee shall prepare an update to the above statement, incorporating most recent data but specifically including any facility for which any other Person or a Supplier has requested use of and connection to the Transmission System.
- 21.8 The Licensee may make a charge for any statement given or sent to Persons seeking Use of System, of an amount reflecting the Licensee's reasonable costs of providing such a statement.

PART V : SEPARATION OF FUNCTIONS AND COMPETITION CONDITIONS

22 Separation of functions and competition conditions

22.1 Separation of Functions

The Commission may, after hearing all affected Suppliers (including the Licensee) and Generating Companies formulate arrangements to require that the Transmission Business and the Bulk Supply Business be carried out under separate licences. The Commission may issue necessary orders making relevant changes in this Licence.

22.2. Introduction of competition in Bulk Supply and formation of Subsidiary or associated grid companies

Subject to the applicable provisions of the Indian Electricity Act, 1910 and the Electricity (Supply) Act, 1948 the Commission may, after hearing Suppliers (including the Licensee), Persons who own or operate a Generating Set and authorised Persons connected to the Transmission System in the Area of Supply including the Distribution Licensees formulate arrangements for the introduction of competition in Bulk Supply and formation of Subsidiary or associated grid companies. In such an event the Commission may issue necessary orders making relevant changes in this Licence.

23. Introduction of Competition in Retail Supply

- 23.1. The Commission may, after consultation with the Licensee, Distribution and Retail Supply Licensees, Generating Companies, Central Transmission Utility, Regional Electricity Boards and such other persons as the Commission may consider necessary, including

the Licensee, formulate arrangements for the introduction of competition in Retail Supply in the State.

- 23.2. The Commission may issue such orders modifying or amending the conditions of this Licence as it shall consider appropriate for the purpose of implementing the arrangements referred to in this Condition 23.

PART VI: EXPECTED REVENUE CALCULATION AND TARIFFS

24. Expected Revenue Calculation and Tariffs

24.1 Expected Revenue Calculation

- (a) The Licensee shall calculate the expected revenue from charges which it is permitted to recover, in accordance with the provisions of **Section 24 of the Act** *section 62 of the Central Act* read with Regulations, these Licence conditions, the orders of the Commission and other requirements specified by the Commission from time to time.

- (b) Expected Revenue Calculation :

Not later than 31st December 30th November every year, the Licensee shall prepare and submit to the Commission

- (i) a Statement with full details of its **expected aggregate revenues and cost of service** for the ensuing financial year (including financing costs and its proposed return on equity) for its Licensed Business, in accordance with **section 24(4) of the Act** *section 62 of the Central Act*; and
- (ii) **the annual investment** plan giving specific details of the investment which the Licensee proposes to make in the ensuing financial year and which the Licensee desires to be covered under the revenue requirements in the ensuing financial year with appropriate references to schemes, if any, already approved by the Commission of which such investments form a part.
- (iii) If so required by the Commission, the Licensee shall file such statements separately for the Transmission Business and **Bulk Supply** *Other* Business.

- (c) If the statements referred to above indicate a difference between its expected aggregate revenues and its expected cost of service, the Licensee shall also submit with the statement an explanation of the measures it proposes to take, including any proposal for tariff amendments, to eliminate the difference.

24.2 Tariffs

- (a) The amount that the Licensee is permitted to recover from its tariffs in any financial year is the amount that the Commission determines in accordance with the provisions of **Section 24 of the Act** *section 62 of the Central Act*;
 - (b) The Licensee **shall establish a tariff as approved by the Commission, for the Licensee's Transmission and Bulk Supply Business** and shall calculate its charges in accordance with this Licence, the Regulations, the orders of the Commission and other requirements prescribed by the Commission from time to time;
 - (c) Save as otherwise directed by the Commission, the Licensee may publish a combined tariff for its Transmission **and Bulk Supply Business** reflecting the tariff charges and the other terms and conditions contained in the approved tariffs referred to in Paragraph 24.2(b).
- 24.3 The Licensee may apply to the Commission to amend its tariffs in accordance with the Act and applicable Regulations and directions of the Commission.
- 24.4 The Licensee shall apply to the Commission to amend its tariffs in accordance with the Act if the Commission so requires in order to remove any undue discrimination identified by the Commission or to cause the Licensee's expected revenue to correspond to the amount that it is permitted to recover under this Licence.

PART VII: PENALTY

25. **Penalty for Contravention of Conditions of the Licence**

- 25.1 The Licensee shall be liable for action under applicable provisions of the Act and the Regulations.

SCHEDULE I

Area of Transmission and Bulk Supply of the Licence

The Area of Transmission and Bulk Supply shall comprise the State of Uttaranchal. However, for any Cantonment, Aerodrome, Fortress, Arsenal, Dockyard or Camp or any building or place in occupation of the Central Government for Defence purposes the licence will cease to be effective to that extent if the Central Government has any objection to it at any time during validity of this Licence.